

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

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IO-13 NEA-10 AGRE-00 /087 W

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 3980

INFO AMEMBASSY BRUSSELS

AMEMBASSY TOKYO

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USEEC

USOECDD

E.O. 11652: N/A

TAGS: ETRD, ECON, CA

SUBJECT: EXPORT CREDITS: TALKS WITH CANADIANS

REF: STATE 147356

1. SUMMARY: US DELEGATION, MURRAY RYSS, TREASURY AND DON FUTADO AND STEPHEN GOODMAN, EXIMBANK, MET WITH GOC REPRESENTATIVES IN OTTAWA JUNE 30 TO DISCUSS U.S. PROPOSAL FOR FOLLOW-ON ARRANGEMENT TO PRESENT CONSENSUS ON OFFICIAL EXPORT CREDITS OUTLINED REFTEL. U.S. AND CANADIAN VIEWS ON OBJECTIVES WERE SIMILAR AND ONLY MINOR DIFFERENCES EMERGED ON APPROACH FOR STRENGTHENING PRESENT CONSENSUS. GOC PLANS TO CONSULT WITH EC REPRESENTATIVES IN JULY AND POSSIBLY JAPANESE. DELS AGREED TO CONSULT AGAIN ON STRATEGY AFTER U.S. MEETINGS WITH EC AND JAPANESE REPRESENTATIVES DURING COMING MONTH. END SUMMARY.

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2. CANADIAN DEL, LED BY R. K. JOYCE, ASSISTANT DEPUTY MINISTER OF FINANCE, AND INCLUDING REPRESENTATIVES OF EDC, MINISTRY OF INDUSTRY, TRADE AND COMMERCE AND EXTERNAL AFFAIRS, WAS IN GENERAL AGREEMENT WITH PROPOSAL OUTLINED REFTEL, PARTICULARLY CONCEPT OF HIGHER INTEREST RATES AS REPAYMENT PERIOD LENGTHENS. CANADIANS EXPRESSED PREFERENCE

HOWEVER FOR 1) SINGLE INTEREST RATE SCHEDULE WITHOUT THE COUNTRY CATEGORIES IN PRESENT CONSENSUS AND RETAINED IN U.S. PROPOSAL, AND 2) THE FLEXIBILITY TO GO TO A TEN-YEAR REPAYMENT TERM REGARDLESS OF COUNTRY OR PRODUCT. THE CANADIANS ALSO RESERVED JUDGMENT ON ELIMINATION OF ALL LOCAL COST FINANCING AND ON INTEREST RATE DEFINITION. NEVERTHELESS CANADIANS APPARENTLY ARE WILLING TO ACCEDE TO U.S. POSITION IF FINAL ARRANGEMENT REPRESENTS SUBSTANTIAL PROGRESS TOWARD A REDUCTION IN COUNTERPRODUCTIVE COMPETITION.

3. U.S. DEL RESPONDED U.S. PROPOSAL IS AN INTERMEDIATE STEP AIMED AT WHAT WOULD BE SALEABLE NOW TO EC AND JAPAN AND PROPOSED MATRIX OF INTEREST RATES AND MATURITIES REPRESENTED OUTER BOUNDARY OF WHAT WE BELIEVED MIGHT BE ACCEPTABLE.

4. GOC REPS ALSO EXPRESSED PREFERENCE FOR MORE FORMALIZED RELATIONSHIP WITH OECD. GOC INDICATED THAT DIRECT CONNECTION WITH OECD WOULD GIVE ARRANGEMENT GREATER LEGITIMACY. U.S. DEL RESPONDED LACK OF FORMAL TIE TO OECD REFLECTED EC INSISTENCE AT APRIL EXPORT CREDITS GROUP MEETING THAT OECD ROLE BE LIMITED TO SUPPORTING THE NEGOTIATIONS.

5. CANDEL EXPRESSED STRONG SUPPORT FOR ENDING USE OF EXPORT LIMITED OFFICIAL USE

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INFLATION INSURANCE, BUT QUESTIONED LIKELIHOOD OF SUCCESS IN THIS AREA EITHER THROUGH GATT OR PROPOSED EXPORT CREDIT ARRANGEMENT.

6. CANDEL EXPRESSED APPRECIATION FOR HAVING AN EARLY OPPORTUNITY TO EXPRESS VIEWS ON U.S. PROPOSAL. U.S. DEL INVITED CANADIAN SUGGESTIONS ON LANGUAGE TO ELIMINATE ANY AMBIGUITIES IN PROPOSED ARRANGEMENT. DUEMLINGS

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Disposition Reason:
Disposition Remarks:
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